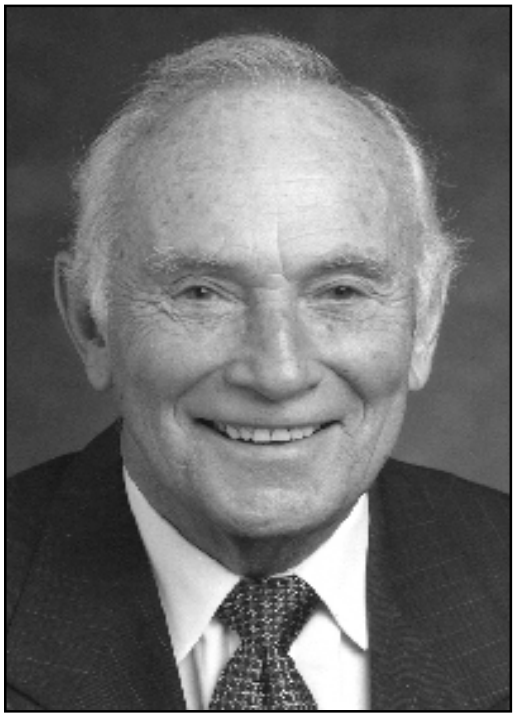

Ron Russell, MLA (Hants West)
Minister of Transportation and Public Works

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Minister of Transportation and Public Works
Province of Nova Scotia
Halifax, Nova Scotia

Sir:
On behalf of the Board of Directors, I have the pleasure to submit herewith the Annual Report of Sydney Environmental Resources Limited for the period ended March 31, 2000.

The report period saw the Corporation face a number of new challenges. Consequently, it was necessary to diversify activities. This was done largely in support of Nova Scotia in its expanded role as a partner within the Joint Action Group process. While co-generation complex maintenance remained a priority and comprised several specific projects, a number of new initiatives became part of the Corporation's core business. These included management of several residential properties acquired by Nova Scotia at Frederick Street, Sydney, adjacent to the Coke Ovens, expanded security for the province's holdings within the Muggah Creek Watershed, and a special co-operative arrangement with Sydney Steel Corporation respecting the future disposition of the labour force at the steel plant.

Once again, the corporation sought expert opinion on the suitability of the co-generation complex in the eventual clean up of the Muggah Creek Watershed. And yet again, the consultant's report confirmed the practicality of the technology in the safe, efficient destruction of coal tars fouling Muggah Creek and contaminants at the Coke Ovens.

Directors were assiduous in discharging their responsibilities. Meetings were held regularly throughout the report period and appropriate control and information systems employed. Several internal committees were mandated to work directly with management on a range of particular issues. Directors combined their talents in service to Nova Scotia and the specific interests of Sydney Environmental Resources Limited.

Respectfully yours,

E. J. MacLellan, Ph.D., P.Eng.
Acting Chairman

Corporate Profile

The Company was incorporated under the Nova Scotia Companies Act on July 10, 1990. The Governor in Council, Province of Nova Scotia, on the report and recommendation of the Minister of Industry Trade and Technology and in accordance with the appropriate Acts, approved establishment of Sydney Environmental Resources Limited (SERL), formerly Sydney Tar Ponds Clean-Up Inc., on March 26, 1991. SERL is responsible to maintain Nova Scotia's assets at the Sydney tar ponds site, secure Nova Scotia's land holdings within the Muggah Creek Watershed, interface with the Joint Action Group on the Environment (JAG) on environmental issues of mutual concern and assist Nova Scotia in some areas to discharge its responsibilities as lead agency in the implementation of the Memorandum of Understanding between JAG, Canada, Nova Scotia and the Cape Breton Regional Municipality.

SERL is organized around three units:

FINANCE AND ADMINISTRATION;
INTERNAL AND EXTERNAL COMMUNICATIONS; AND
FACILITIES' MAINTENANCE, HEALTH AND SAFETY AND SITE SECURITY.

The Corporation maintains its head office at 500 George Place, Sydney, NS, and reports to the Minister of Transportation and Public Works, Province of Nova Scotia.

Co-generation complex - maintenance

Corporate Mission

Sydney Environmental Resources Limited's mission is to co-ordinate some areas of Nova Scotia's participation within the JAG process, as well, maintain the physical assets of Sydney Tar Ponds Clean-Up, inclusive of identifying acceptable alternative uses for the twin fluidized boilers which are part of the physical plant and equipment under the Corporation's charge; decommission work place structures in the interests of health and safety; secure Nova Scotia's land holdings within the Muggah Creek Watershed; and interface with bargaining units of Local 1064, United Steel Workers, respecting labour force adjustment issues specific to the steel plant site

Core Business Functions

Sydney Environmental Resources Limited's core business functions are:

⇒ Core staff of fifteen maintained the fluidized bed incinerators, electrical generation equipment, and bag house as well are other essential equipment pending near term decisions on utilization of incineration technology in the destruction of either or both non-hazardous as well as hazardous waste;

⇒ To ensure compliance with health and safety legislation, specially trained and certified staff removed asbestos from work place structures at the co-generation plant under the direction of the Nova Scotia Department of Labour and in keeping with approved techniques;

⇒ Core staff of eight protect Nova Scotia's interests at the Coke Ovens site and Frederick Street;

⇒ Administrative staff worked closely with officials of the Nova Scotia Department of Transportation and Public Works to discharge some of Nova Scotia's obligations to JAG in the implementation of the Memorandum of Understanding respecting the community stakeholder assembly;

⇒ Liaised with Sydney Steel Corporation and United Steelworkers Local 1064 and 1064-02 to facilitate labour force adjustment and optimize the engagement of steelworkers in Nova Scotia's delivery of services in the capacity of JAG partner; and

⇒ Pursued practical usage of existing incineration technology on a commercially self-sustaining basis and in conformity with environmental, health safety and fiscal policies of Nova Scotia.

Compliance With Government Policies and Procedures

SERL operated in compliance with the Policies and Procedures of the Province of Nova Scotia. More particularly with respect to procurement, the Corporation employed government principles and procedures to secure goods and services at the lowest possible cost while maintaining requisite quality, safety, delivery and services requirements. Additionally, fair-hiring practices applied. In the event non-unionized positions cannot be filled internally they are publicly advertised and recruitment is by means of open and fair competition. With respect to unionized positions, United Steelworkers of America Local 1064-02 members are recalled by seniority. The Corporation complies with Nova Scotia legislation on Freedom of Information.

Financial statements are prepared monthly and yearly in accordance with generally accepted accounting principles to reflect the financial position and results of operations of the Corporation within reasonable limits of materiality. The integrity of financial reporting is ensured with a system of internal accounting controls comprising written policies and procedures and a formal authorization structure. The Board of Directors carries out its responsibility for the financial statements through an Audit Committee. The financial statements of the Company are independently audited in accordance with generally accepted auditing standards.

Board of Directors

Dr. Edwin MacLellan
Acting Chairman

Ray Martheleur
Vice-Chairman

Gerald Buckland

Pat Muggah

Gary Campbell
Shareholder's Representative

The Board of Directors met regularly throughout the report period; in addition, special meetings were convened. Internal committees were utilized as follows: Audit, Technical, Human Resources, and Public Relations.

At full complement, the Board of Directors comprises seven. As at the end of the report period, there were three vacancies.

Mr. Gary Campbell, Acting Executive Director, Real Property, Department of Transportation and Public Works, Province of Nova Scotia, resigned as a Director toward the end of the report period. Mr. Campbell is Nova Scotia's senior representative in the JAG process and relinquished his seat in the interests of objectivity in that role.

The Corporation is co-managed by the Manager, Finance, Purchasing and Accounts and the Site Supervisor.

Retrospect- Fiscal Year 1999/2000

Introduction

Fiscal Year 1999/2000 was particularly busy. External and internal communications continued a priority and were undertaken largely on a pro-active basis. Once again, an independent expert was retained to render an opinion on the suitability of the emissions control system at the co-generation complex in the event of recommissioned operations. A closer working relationship was developed with the Joint Action Group on Environmental Clean Up in variety of areas pertaining to the Muggah Creek Watershed. Corporation personnel took on additional duties at Frederick Street following the relocation of several families and expanded activities at the Coke Ovens site at the request of Nova Scotia. With the expansion of Nova Scotia's role within JAG as lead agency in the implementation of the memorandum of understanding, the corporation elevated the level of support provided the province. In cooperation with Sydney Steel Corporation, the Company facilitated development of an environmental decommissioning plan for the steel plant site. The maintenance program at co-generation complex was intensified and upwards of two dozen major projects were completed. Finally, asbestos was again safely removed from the boiler house at the co-generaton complex. Fifty-five tons of contaminated material were extracted from the site as at the end of the report period.

Comparative Assessment - Emission Control System

In the fall 1999, air quality scientist and international expert, Dr. John Walker, was engaged to compare original design criteria of emission control systems at the co-generation complex with actual performance results of compliance testing completed in 1993. The assessment also considered the performance of the facility in the context of the stricter criteria (Canadian Council of the Ministers of the Environment [CCME] guidelines) developed following the design of the complex.

According to Dr. Walker, the fluidized bed incinerators easily meet CCME guidelines. The heat and momentum of gases leaving the stack effectively multiply the stack height (100' actual physical height) by four in average conditions. Dr. Walker reported that based on actual performance testing, the exposures in neighbourhoods to the east of the fluidized bed complex would be hundreds of times less than stipulations of the United States Environmental Protection Agency for metals and thousands of times less for polycyclic aromatic hydrocarbons. Measurements at the Whitney Pier Fire Station (in 1993 at the time of original compliance testing) of ambient (background) air indicated that the incinerators' contribution to exposures would be hundreds of thousands of times less than current background levels.

Corporate Plan

Early in 2000, the Board of Directors approved a corporate plan for the Fiscal Year 2000-2001. Among other things, it addressed the expanded role of the Corporation in service to Nova Scotia in the capacity of lead agency in the implementation of the funding agreement between JAG and all three levels of government respecting the environmental and health challenges of the Muggah Creek Watershed. Additionally, the plan acknowledged a closer working relationship between Sydney Steel Corporation and bargaining unit, United Steelworkers of America, Locals 1064 and 1064-02, on labour force transition challenges facing steelworkers. The Corporation's mission and core business functions were broadened to reflect these changes.

Coke Ovens Security

In compliance with an earlier recommendation of the Joint Action Group on Environmental Clean Up, Corporate personnel continued to secure the Coke Ovens site, coordinate tours and supervise contractors working on site. Staff of six is responsible for this endeavour, four of whom are affiliated with bargaining unit Local 1064-02 and two with the Canadian Union of Public Employees.

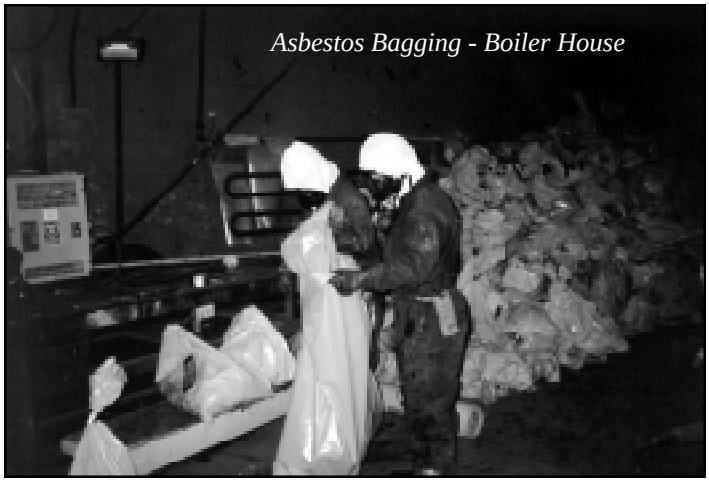
Installation of Culvert - Coke Ovens

Facilities Maintenance

Following on from earlier independent assessments of the condition of the co-generation complex and potential for recommissioning, maintenance programs were adjusted to ensure minimal deterioration and optimum preparedness for return to service. A complement of fifteen unionized staff completed a range of consequential tasks as part of a calculated maintenance program. Included among more significant undertakings were repairs to the valve train for air compression, overhaul of the harbour pumps, installation of ground fault protection on 2300 volt and 6900 volt electrical systems, placement of a new isolation valve on the fresh water system, relocation of transformers and installation of new units, decommissioning of breakers at powerhouse, and replacement of a section of the powerhouse roof.

Health and Safety

The co-generation complex is an amalgam of refurbished and new equipment and buildings. The boiler house which accommodates equipment essential to the production of steam is a turn of the 20th century four story, 80' tall structure. The central control room for the entire co-generation complex is housed in this facility.



Asbestos Bagging - Boiler House

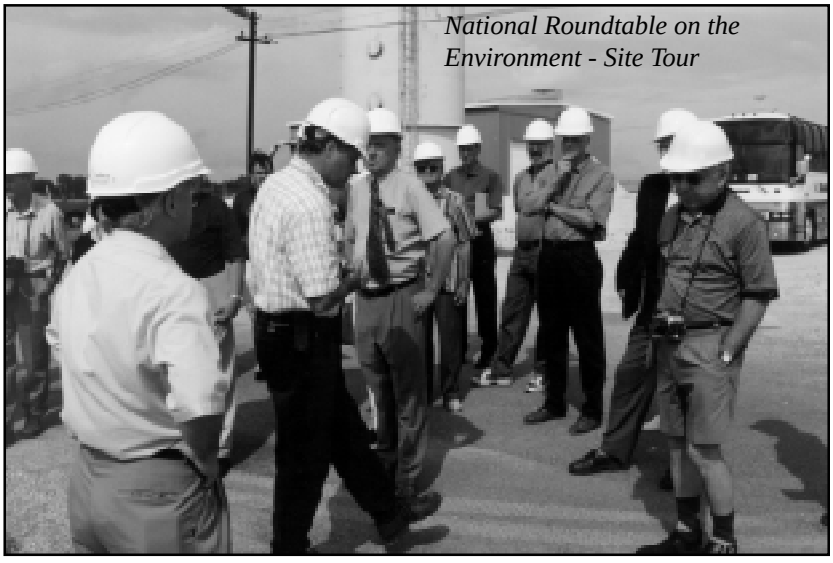
Asbestos wrapping pervades boiler house pipes. The quantity of asbestos material approximates 200 tons and potentially compromises the work site.

Within the framework of an independently developed asbestos management plan, five displaced steelworkers from Local 1064 supervised by management and union personnel of Local 1064-02 removed asbestos from the site in the four month period beginning November 1999. All personnel were trained in procedures and techniques of safe removal of hazardous materials and operated under the direction of provincial regulators in conformity with the approved code of practice for handling asbestos laden materials.

As at the end of the report period, approximately 55 tons of material in total had been safely removed and transported to a licensed landfill off Island for disposal.

Communications

At the direction of the Public Relations Committee, the Corporation continued a range of focused external communication activities. Community stakeholders again exhibited interest in tours of the Muggah Creek Watershed, in particular the co-generation complex at the north end of the steel plant. Among the many groups to visit was the National Roundtable on the Environment. Members from across the country were hosted at an on-site briefing. Several hundred secondary school and university students toured the site and were briefed on the original clean up technology.



National Roundtable on the Environment - Site Tour

The Corporation continued active in the Nova Scotia Environmental Industry Association whose purpose it is to promote the growth, development and interests of the environmental industry within the province. Corporation staff responded to speaking engagements at local service clubs. Background literature, information booklets and report summaries were given wide distribution in the community. Staff were active in community projects such as the Annual Race for the Heart & Stroke Foundation and business-education partnership with Sacred Heart Elementary School. Additionally, the Corporation's web site was frequently updated.

Pancake Breakfast: Sacred Heart School

Environmental Decommissioning - Steel Plant Site

Toward the end of 1999, the Corporation opened discussions with Sydney Steel Corporation respecting pending changes to the status of the steel plant. A collaborative effort resulted in an environmental decommissioning plan for the steel plant site. The plan was developed as an option for consideration in on-going discussions respecting labour force transition challenges following final resolution of the future of the steel plant.

Joint Action Group on Environmental Clean Up

Throughout the report period. the Corporation worked closely with the JAG Secretariat and its government partners on a range of issues from community liaison, to site tours, Coke Ovens security and information transfer.

Late in March 2000, with the assent of representatives of Canada and the Cape Breton Regional Municipality, the JAG Roundtable approved a recommendation to rescind an earlier (1996) motion whereby Nova Scotia was requested to maintain the co-generation complex. This development is believed to have serious implications for the future of the Muggah Creek Watershed clean up.

Frederick Street

At the request of Nova Scotia, the Corporation secured properties acquired by the province from certain residents of Frederick Street adjacent to the Coke Ovens opting to relocate as part of a special arrangement. Water to all vacant properties was isolated and plumbing systems drained. Salvageable materials were removed and Corporation personnel supervised demolition of the structures. Additionally, a dwelling at Curries Lane was renovated and converted to a security centre.

Demolition - Frederick Street

Financial Summary

During the year ended March 31, 2000, the financial activities of the Company included managing project administration costs, plant maintenance and security costs and equipment assessment consulting charges.

The audited financial statements for the year ended March 31, 2000 reflect operating expenditures of $1,890,953. A four year summary of Operating Expenditures is as follows:

OPERATING EXPENDITURES

2000	**$1,890,953**
1999	**$1,748,051**
1998	**$1,349,797**
1997	**$1,306,258**

Management Report

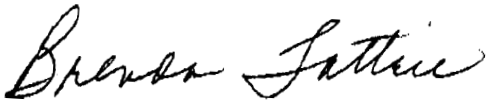
The accompanying financial statements and other financial information contained in the Annual Report are the responsibility of management and have been approved by the Board of Directors. The financial statements have been prepared in accordance with generally accepted accounting principles except as disclosed in Note 3 to the financial statements and, where appropriate, reflect management's best estimates and judgments. In the opinion of management, these financial statements fairly reflect the financial position and results of operations of the Company within reasonable limits of materiality.

To discharge its responsibility for the integrity of financial reporting, management maintains a system of internal accounting controls comprising written policies and procedures and a formal authorization structure. This system is designed to provide management with reasonable assurance that assets are safeguarded; that transactions are properly authorized and that financial records are properly maintained to provide accurate and reliable financial information.

The Board of Directors carries out its responsibility for the financial statements through its Audit Committee, which consists entirely of members of the Company's Board. This Committee meets periodically with management and the external auditor to discuss and review audit and financial matters, and recommends the financial statements of the Board of Directors for approval. The Company's external auditors have free and full access to the Audit Committee.

The financial statements have been independently audited by J T Nash Limited in accordance with generally accepted auditing standards. The Auditor's Report outlines the nature of their audit and expresses their opinion on the financial statements.

Edwin MacLellan, P.Eng.
Acting Chairman



Brenda Tattrie, Manager
Finance, Purchasing & Accounts

J T NASH LIMITED
SUITE 204
295 GEORGE STREET
SYDNEY, NOVA SCOTIA
B1P 1J7

JOHN T NASH
CHARTERED ACCOUNTANT

TELEPHONE 902-539-2770
FACSIMILE 902-539-4192
email jnash@syd.auracom.com

AUDITOR'S REPORT

To the Minister Responsible for Sydney Environmental Resources Limited

I have audited the operating fund balance sheet of **Sydney Environmental Resources Limited** for the year ended March 31, 2000 and the statement of revenue and expenditures for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2000, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles except as disclosed in Note 3.

May 4, 2000

Chartered Accountant

SYDNEY ENVIRONMENTAL RESOURCES LIMITED
STATEMENT OF REVENUE AND EXPENDITURES
YEAR ENDED MARCH 31, 2000

	2000	1999
Operating revenue	$ 1,890,953	$ 1,748,051
Operating expenditures		
Civic taxes	3,348	2,608
Directors' fees	11,152	12,599
Health, safety and environmental	227,558	192,246
Incineration plant operation and maintenance	52,407	52,632
Incineration plant overhead	205,721	197,854
Joint Action Group and other community costs	343,151	297,367
Office	19,418	25,212
Professional fees	9,619	8,977
Public information	50,498	55,151
Rent	27,849	23,546
Salaries and benefits	809,732	765,712
Technical services	113,724	98,230
Telephone	10,336	10,174
Travel	6,440	5,743
	1,890,953	1,748,051
Excess revenue over expenditures	$ NIL	$ NIL

SYDNEY ENVIRONMENTAL RESOURCES LIMITED
BALANCE SHEET
AS AT MARCH 31, 2000

	2000	1999
ASSETS		
Current		
Cash	**$ 183,820**	$ 84,157
Accounts receivable	**42,784**	52,400
Prepaid expenses	**-**	27,517
	$ 226,604	$ 164,074
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 146,662**	$ 93,179
Due to Province of Nova Scotia	**79,941**	70,894
	226,603	164,073
EQUITY		
Share capital (Note 8)	**1**	1
	$ 226,604	$ 164,074

Commitments (Note 7)

Approved by the Board

.....Director

.....Director

SYDNEY ENVIRONMENTAL RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2000

1. AUTHORITY AND OBJECTIVE

The Company was incorporated under the Nova Scotia Companies Act on July 10, 1990. It was established as a crown corporation of the Province of Nova Scotia by Order-in-Council on March 26, 1991. On January 7, 1998 the company changed its name from Sydney Tar Ponds Clean – Up Inc. to Sydney Environmental Resources Limited.

Its current objective is to utilize its resources in emerging community based environmental initiatives.

2. CONTINUATION OF THE BUSINESS

The accompanying financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The continuation of the Company is dependent upon obtaining necessary funding from the Province of Nova Scotia and/or the Government of Canada.

3. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles except as outlined below.

a) Financing

The Company, an agency of Her Majesty, receives legislative appropriations for operating expenditures. These appropriations are reflected as operating grants to the extent of operating expenditures. Any excess appropriations are accounted for as deferred operating grants. Consequently, the Company does not have any equity.

b) Capital Assets

In accordance with funding requirements, the cost of capital assets are accounted for as current operating expenditures.

4. DUE FROM PROVINCE OF NOVA SCOTIA

The payable to the Province of Nova Scotia as at March 31, 2000 represents operating funding received for the year ended March 31, 2000 in excess of operating expenditures.

5. RELATED PARTY TRANSACTIONS

During the year, the Company received a net current operating grant of $1,890,953 (1999 - $1,748,051) from the Province of Nova Scotia.

In addition to the above-noted related party transactions, the Company is related in terms of common ownership to all Province of Nova Scotia created departments, agencies and crown corporations. The Company enters into transactions with these entities in the normal course of business.

6. COMPENSATION LEGISLATION

The Company has complied with the provisions of the Public Sector Compensation Act.

7. COMMITMENTS

a) Operations

The Company has committed to the Province of Nova Scotia, that it will run its affairs in accordance with Provincial standards. Its operations will be accountable to the Province through the Minister responsible for Sydney Environmental Resources Limited.

b) Sales Agreement

Should the Company operate the incinerator, it has a sales agreement with Nova Scotia Power Inc. to sell power, which the incinerator will generate. The agreement expires August 25, 2000.

c) Land Lease

The Company has entered into an agreement with Canadian National Railway Company to lease approximately 46 acres of land for an annual rental of $1.00. The land gives the Company access to the Sydney Tar Ponds. The Company undertakes not to further contaminate any leased lands. The lease expires October 31, 2001.

d) Sydney Steel Corporation

The company has undertaken to hire displaced Sydney Steel Corporation employees.

8. SHARE CAPITAL

Authorized
50,000 common shares with no par value

Issued

1 share at $1	$ 1